

BATTLE CREEK TAX INCREMENT  
FINANCE AUTHORITY  
(A Component Unit of the  
City of Battle Creek, Michigan)

Year Ended  
June 30, 2013

Financial  
Statements and  
Supplementary  
Information

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# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

December 23, 2013

To the Board of Directors of the  
Battle Creek Tax Increment Finance Authority  
City of Battle Creek, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Battle Creek Tax Increment Finance Authority, a component unit of the City of Battle Creek, Michigan* (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Battle Creek Tax Increment Finance Authority, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise the Battle Creek Tax Incremental Finance Authority's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Lehmann Lobson LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Management's Discussion and Analysis

The Battle Creek Tax Increment Finance Authority (the "Authority") was established pursuant to Public Act 450 of 1980. The Authority is a component unit of the City of Battle Creek, Michigan, and presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2013.

### Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The statement of net position and governmental funds balance sheet presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The statement of activities and governmental fund revenues, expenditures and changes in fund balances presents information showing how the Authority's net position changed during the most recent fiscal year.
- The statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund presents information showing the comparison of the Authority's actual revenues and expenditures to what was budgeted.
- The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### Financial Analysis

The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown below, the Authority's assets exceeded liabilities by \$31,710,047 at the end of the fiscal year, of which \$13,552,712 was the net investment in capital assets, and \$16,694,821 was restricted for debt service and capital projects, leaving a balance of \$1,462,514 in unrestricted net position.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Management's Discussion and Analysis

A comparative analysis of the data is presented below:

|                                   | Net Position as of June 30, |                     |
|-----------------------------------|-----------------------------|---------------------|
|                                   | 2013                        | 2012                |
| <b>Assets</b>                     |                             |                     |
| Current and other assets          | \$ 30,331,246               | \$ 30,201,992       |
| Capital assets                    | <u>13,552,712</u>           | <u>13,566,998</u>   |
| <b>Total assets</b>               | <u>43,883,958</u>           | <u>43,768,990</u>   |
| <b>Liabilities</b>                |                             |                     |
| Other liabilities                 | 3,378,028                   | 3,724,674           |
| Long-term liabilities outstanding | <u>8,795,883</u>            | <u>10,057,218</u>   |
| <b>Total liabilities</b>          | <u>12,173,911</u>           | <u>13,781,892</u>   |
| <b>Net position</b>               |                             |                     |
| Net investment in capital assets  | 13,552,712                  | 13,566,998          |
| Restricted:                       |                             |                     |
| Debt service                      | 10,336                      | 10,336              |
| Capital projects                  | 16,684,485                  | 14,992,100          |
| Unrestricted                      | <u>1,462,514</u>            | <u>1,417,664</u>    |
| <b>Total net assets</b>           | <u>\$31,710,047</u>         | <u>\$29,987,098</u> |

When comparing the current fiscal year to the previous fiscal year, net position increased by \$1,722,949.

|  | Changes in Net Position for<br>the Year Ending June 30, |                     |
|--|---|---------------------|
|  | 2013  | 2012                |
| Total revenues                               | \$ 5,906,448  | \$ 7,988,035        |
| Total expenses                               | <u>4,183,499</u>  | <u>4,490,828</u>    |
| Change in net position                       | 1,722,949   | 3,497,207           |
| Net position, beginning of year, as restated | <u>29,987,098</u>                                       | <u>26,489,891</u>   |
| <b>Net position, end of year</b>             | <u>\$31,710,047</u>                                     | <u>\$29,987,098</u> |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Management's Discussion and Analysis

#### Capital Assets

The Authority had \$13,552,712 in capital assets at the end of the fiscal year (see below). Capital assets include land, land improvements, buildings, and equipment with an original cost of more than \$10,000. Major outlays for capital assets are capitalized as projects are constructed or the assets are otherwise acquired and placed into service.

|                   | 2013                | 2012                |
|-------------------|---------------------|---------------------|
| Land              | \$12,675,578        | \$12,675,578        |
| Land improvements | 746,801             | 703,990             |
| Buildings         | 66,760              | 89,016              |
| Equipment         | 63,573              | 99,900              |
| Total             | <u>\$13,552,712</u> | <u>\$13,568,484</u> |

#### Long-term Debt

At the end of the current fiscal year, the Battle Creek Tax Increment Finance Authority had total debt outstanding of \$8,795,883. General obligation bonds were issued to provide funds for the construction and acquisition of major capital assets. These bonds are outstanding with varying amounts of principal maturing until 2030.

|                                   | 2013         | 2012         |
|-----------------------------------|--------------|--------------|
| General obligation bonds          |              |              |
| 2009 Limited tax bonds            | \$ 3,345,000 | \$ 3,500,000 |
| 2010 Limited tax bonds (hangar)   | 3,065,000    | 3,250,000    |
| Revenue bonds                     |              |              |
| 1997 Development refunding        | 2,070,000    | 2,910,000    |
| Economic development loan payable |              |              |
| 2002 Loan                         | 329,228      | 411,360      |

#### Economic Factors

The Battle Creek Tax Increment Finance Authority expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made. During 2013, total community development expenses were \$3,770,101, which included \$48,702 of depreciation (a non-cash item).

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Management's Discussion and Analysis

### Contacting the Battle Creek Tax Increment Finance Authority

This financial report is designed to provide a general overview of the Battle Creek Tax Increment Finance Authority finances and to show accountability for the money it receives and expends. The financial statements can be found on the City's web site: [www.battlecreekmi.gov](http://www.battlecreekmi.gov). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, MI 49016-1717.

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## BASIC FINANCIAL STATEMENTS

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2013

|   | General             | Debt<br>Service | Pipeline<br>Bonds |
|---|---------------------|-----------------|-------------------|
| <b>Assets</b>   |                     |                 |                   |
| Pooled cash and investments   | \$ 7,132,867        | \$ -            | \$ -              |
| Taxes receivable  | 1,250,099           | -               | -                 |
| Interest receivable   | 128,143             | -               | -                 |
| Prepaid items   | 681,667             | -               | -                 |
| Advance to other governments  | 397,540             | -               | -                 |
| Long-term receivables - due in more than one year                         | -                   | -               | -                 |
| Capital assets not being depreciated                                      | -                   | -               | -                 |
| Capital assets being depreciated, net                                     | -                   | -               | -                 |
| <b>Total assets</b>   | <b>\$ 9,590,316</b> | <b>\$ -</b>     | <b>\$ -</b>       |
| <b>Liabilities</b>  |                     |                 |                   |
| Accounts payable  | \$ 2,056,626        | \$ -            | \$ -              |
| Accrued interest payable  | -                   | -               | -                 |
| Unearned revenue  | -                   | -               | -                 |
| Long-term liabilities:  |                     |                 |                   |
| Due within one year   | -                   | -               | -                 |
| Due in more than one year   | -                   | -               | -                 |
| <b>Total liabilities</b>  | <b>2,056,626</b>    | <b>-</b>        | <b>-</b>          |
| <b>Deferred inflows of resources</b>                                      |                     |                 |                   |
| Unavailable revenue - property taxes                                      | 1,250,099           | -               | -                 |
| <b>Fund balances</b>  |                     |                 |                   |
| Nonspendable:   |                     |                 |                   |
| Prepaid items   | 681,667             | -               | -                 |
| Advance to primary government   | 397,540             | -               | -                 |
| Restricted for debt service   | -                   | -               | -                 |
| Committed for capital projects  | -                   | -               | -                 |
| Unassigned  | 5,204,384           | -               | -                 |
| <b>Total fund balances</b>  | <b>6,283,591</b>    | <b>-</b>        | <b>-</b>          |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 9,590,316</b> | <b>\$ -</b>     | <b>\$ -</b>       |

The accompanying notes are an integral part of these financial statements.

| Airport Bonds                    | Capital Projects     | Total Governmental Funds | Adjustments          | Statement of Net Position |
|----------------------------------|----------------------|--------------------------|----------------------|---------------------------|
| \$ 10,336                        | \$ 16,718,295        | \$ 23,861,498            | \$ -                 | \$ 23,861,498             |
| -                                | -                    | 1,250,099                | -                    | 1,250,099                 |
| -                                | -                    | 128,143                  | -                    | 128,143                   |
| -                                | -                    | 681,667                  | -                    | 681,667                   |
| -                                | -                    | 397,540                  | -                    | 397,540                   |
| -                                | -                    | -                        | 4,012,299            | 4,012,299                 |
| -                                | -                    | -                        | 12,675,578           | 12,675,578                |
| -                                | -                    | -                        | 877,134              | 877,134                   |
| <u>\$ 10,336</u>                 | <u>\$ 16,718,295</u> | <u>\$ 26,318,947</u>     | <u>\$ 17,565,011</u> | <u>\$ 43,883,958</u>      |
| \$ -                             | \$ 33,810            | \$ 2,090,436             | \$ -                 | \$ 2,090,436              |
| -                                | -                    | -                        | 37,493               | 37,493                    |
| -                                | -                    | -                        | 1,250,099            | 1,250,099                 |
| -                                | -                    | -                        | 1,207,172            | 1,207,172                 |
| -                                | -                    | -                        | 7,588,711            | 7,588,711                 |
| -                                | 33,810               | 2,090,436                | 10,083,475           | 12,173,911                |
| -                                | -                    | 1,250,099                | (1,250,099)          | -                         |
| -                                | -                    | 681,667                  | (681,667)            | -                         |
| -                                | -                    | 397,540                  | (397,540)            | -                         |
| 10,336                           | -                    | 10,336                   | (10,336)             | -                         |
| -                                | 16,684,485           | 16,684,485               | (16,684,485)         | -                         |
| -                                | -                    | 5,204,384                | (5,204,384)          | -                         |
| <u>10,336</u>                    | <u>16,684,485</u>    | <u>22,978,412</u>        | <u>(22,978,412)</u>  | <u>-</u>                  |
| <u>\$ 10,336</u>                 | <u>\$ 16,718,295</u> | <u>\$ 26,318,947</u>     |                      |                           |
| Net position                     |                      |                          |                      |                           |
| Net investment in capital assets |                      |                          | 13,552,712           | 13,552,712                |
| Restricted for debt service      |                      |                          | 10,336               | 10,336                    |
| Restricted for capital projects  |                      |                          | 16,684,485           | 16,684,485                |
| Unrestricted                     |                      |                          | 1,462,514            | 1,462,514                 |
| Total net position               |                      |                          | <u>\$ 31,710,047</u> | <u>\$ 31,710,047</u>      |

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2013

|                                      | General      | Debt<br>Service | Pipeline<br>Bonds |
|--------------------------------------|--------------|-----------------|-------------------|
| Revenues                             |              |                 |                   |
| Property taxes                       | \$ 5,888,162 | \$ -            | \$ -              |
| Intergovernmental                    | 205,499      | -               | -                 |
| Interest earnings (loss)             | (50,434)     | -               | -                 |
| Other revenues                       | 26,671       | -               | -                 |
| Total revenues                       | 6,069,898    | -               | -                 |
| Expenditures/expenses                |              |                 |                   |
| Community development                | 3,281,293    | -               | -                 |
| Debt service:                        |              |                 |                   |
| Principal                            | 82,132       | 185,000         | 840,000           |
| Interest and fiscal charges          | 22,857       | 120,644         | 147,500           |
| Total expenditures/expenses          | 3,386,282    | 305,644         | 987,500           |
| Revenues over (under) expenditures   | 2,683,616    | (305,644)       | (987,500)         |
| Other financing sources (uses)       |              |                 |                   |
| Transfers in                         | -            | 305,644         | 987,500           |
| Transfers out                        | (3,702,440)  | -               | -                 |
| Total other financing sources (uses) | (3,702,440)  | 305,644         | 987,500           |
| Change in fund balances              | (1,018,824)  | -               | -                 |
| Change in net position               | -            | -               | -                 |
| Fund balances/net position           |              |                 |                   |
| Beginning of year, as restated       | 7,302,415    | -               | -                 |
| End of year                          | \$ 6,283,591 | \$ -            | \$ -              |

The accompanying notes are an integral part of these financial statements.



| Airport Bonds | Capital Projects | Total Governmental Funds | Adjustments  | Statement of Net Position |
|---------------|------------------|--------------------------|--------------|---------------------------|
| \$ -          | \$ -             | \$ 5,888,162             | \$ -         | \$ 5,888,162              |
| -             | -                | 205,499                  | (205,499)    | -                         |
| -             | -                | (50,434)                 | -            | (50,434)                  |
| -             | 42,049           | 68,720                   | -            | 68,720                    |
| -             | 42,049           | 6,111,947                | (205,499)    | 5,906,448                 |
| -             | 474,664          | 3,755,957                | 14,144       | 3,770,101                 |
| 155,000       | -                | 1,262,132                | (1,262,132)  | -                         |
| 129,296       | -                | 420,297                  | (6,899)      | 413,398                   |
| 284,296       | 474,664          | 5,438,386                | (1,254,887)  | 4,183,499                 |
| (284,296)     | (432,615)        | 673,561                  | 1,049,388    | 1,722,949                 |
| 284,296       | 2,125,000        | 3,702,440                | (3,702,440)  | -                         |
| -             | -                | (3,702,440)              | 3,702,440    | -                         |
| 284,296       | 2,125,000        | -                        | -            | -                         |
| -             | 1,692,385        | 673,561                  | (673,561)    | -                         |
| -             | -                | -                        | 1,722,949    | 1,722,949                 |
| 10,336        | 14,992,100       | 22,304,851               | 7,682,247    | 29,987,098                |
| \$ 10,336     | \$ 16,684,485    | \$ 22,978,412            | \$ 8,731,635 | \$ 31,710,047             |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended June 30, 2013

|  | Budget<br>(Original<br>and Final) | Actual              | Actual<br>Over (Under)<br>Final Budget |
|--|-----------------------------------|---------------------|--|
| <b>Revenues</b>                        |                                   |                     |  |
| Property taxes                         | \$ 6,586,974                      | \$ 5,888,162        | \$ (698,812)                           |
| Intergovernmental                      | 205,499                           | 205,499             | -                                      |
| Interest earnings (loss)               | 600,000                           | (50,434)            | (650,434)                              |
| Other revenues                         | 23,000                            | 26,671              | 3,671                                  |
|  | <u>7,415,473</u>                  | <u>6,069,898</u>    | <u>(1,345,575)</u>                     |
| <b>Total revenues</b>                  |                                   |                     |  |
|  | <u>7,415,473</u>                  | <u>6,069,898</u>    | <u>(1,345,575)</u>                     |
| <b>Expenditures</b>                    |                                   |                     |  |
| Community development                  | 3,377,912                         | 3,281,293           | (96,619)                               |
| Debt service:                          |                                   |                     |  |
| Principal                              | 82,132                            | 82,132              | -                                      |
| Interest and fiscal charges            | 22,857                            | 22,857              | -                                      |
|  | <u>3,482,901</u>                  | <u>3,386,282</u>    | <u>(96,619)</u>                        |
| <b>Total expenditures</b>              |                                   |                     |  |
|  | <u>3,482,901</u>                  | <u>3,386,282</u>    | <u>(96,619)</u>                        |
| <b>Revenues over expenditures</b>      |                                   |                     |  |
|  | <u>3,932,572</u>                  | <u>2,683,616</u>    | <u>(1,248,956)</u>                     |
| <b>Other financing uses</b>            |                                   |                     |  |
| Transfers out                          | (3,704,540)                       | (3,702,440)         | (2,100)                                |
|  | <u>(3,704,540)</u>                | <u>(3,702,440)</u>  | <u>(2,100)</u>                         |
| <b>Change in fund balance</b>          |                                   |                     |  |
|  | <u>228,032</u>                    | <u>(1,018,824)</u>  | <u>(1,246,856)</u>                     |
| <b>Fund balance, beginning of year</b> |                                   |                     |  |
|  | <u>7,302,415</u>                  | <u>7,302,415</u>    | <u>-</u>                               |
| <b>Fund balance, end of year</b>       |                                   |                     |  |
|  | <u>\$ 7,530,447</u>               | <u>\$ 6,283,591</u> | <u>\$ (1,246,856)</u>                  |

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

These financial statements present the activities of the Battle Creek Tax Increment Finance Authority (the “Authority”). The Authority was organized pursuant to Public Act 450 of 1980. The primary purpose of the Authority is to encourage economic activity in the Fort Custer Industrial Park Development District. The Authority’s activities are primarily funded through tax increment financing and bonded debt.

The Authority is a component unit of the City of Battle Creek, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

#### Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

The Authority reports the following major governmental funds:

- General fund
- Debt service funds:
  - Debt service fund
  - Pipeline bonds fund
  - Airport bonds fund
- Capital projects fund

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for and reported in another fund.

*Debt service funds* account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

The *capital projects fund* accounts for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

### Fund Balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. Assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

### Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Infrastructure assets (e.g., roads, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems, constructed by the Authority are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

|                   | Years |
|-------------------|-------|
| Land improvements | 50    |
| Buildings         | 25    |
| Equipment         | 10    |

### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no deferred outflows of resources at year-end.

### Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometime report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Budgetary Information

The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted at the fund level through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations.

For the year ended June 30, 2013, the Authority's general fund expenditures were within budget.

## 2. CASH AND INVESTMENTS

At year-end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the City's internal cash management pool, was \$23,861,498. Because it is infeasible to allocate risk to individual pool participants, aggregate cash and investment categorizations are presented in the City's financial statements.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

### 3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

|  | Beginning<br>Balance | Additions   | Disposals | Ending<br>Balance |
|--|----------------------|-------------|-----------|-------------------|
| Land   | \$ 12,675,578        | \$ -        | \$ -      | \$ 12,675,578     |
| Capital assets being depreciated:              |                      |             |           |                   |
| Land improvements                              | 953,344              | 34,416      | -         | 987,760           |
| Buildings                                      | 278,190              | -           | -         | 278,190           |
| Equipment                                      | 429,858              | -           | -         | 429,858           |
| Total capital assets<br>being depreciated      | 1,661,392            | 34,416      | -         | 1,695,808         |
| Less accumulated depreciation for:             |                      |             |           |                   |
| Land improvements                              | (221,548)            | (19,411)    | -         | (240,959)         |
| Buildings                                      | (200,302)            | (11,128)    | -         | (211,430)         |
| Equipment                                      | (348,122)            | (18,163)    | -         | (366,285)         |
| Total accumulated depreciation                 | (769,972)            | (48,702)    | -         | (818,674)         |
| Total capital assets<br>being depreciated, net | 891,420              | (14,286)    | -         | 877,134           |
| Total capital assets, net                      | \$ 13,566,998        | \$ (14,286) | \$ -      | \$ 13,552,712     |

Depreciation expense in the amount of \$48,702 was reported in the community development function in the government-wide statement of activities.

### 4. LONG-TERM RECEIVABLE

During the year ended June 30, 2008, the Authority approved a loan to the Battle Creek Brownfield Redevelopment Authority (BCBRA; a component unit of the City of Battle Creek) in the total amount of \$3,530,000 to be used in accordance with a particular brownfield plan. As of June 30, 2013, \$2,560,708 had been drawn on the authorized amount (no amount was drawn during the current year) and is included in the long-term receivable reported in the statement of net position. Future repayment from the BCBRA is based on its collection of tax increment revenues.

During the year ended June 30, 2010, the Authority approved a loan to the BCBRA in the total amount of \$5,500,000 to be used in accordance with another particular brownfield plan. As of June 30, 2013, \$2,303,371 had been drawn on the authorized amount (\$142 was drawn during the current year) and is also included in the long-term receivable reported in the statement of net position. Future repayment of this loan by the BCBRA is based on its collection of tax increment revenues.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

Each of the above loans includes interest at 5% per annum. The total amount drawn by BCBRA on the loans through June 30, 2013 is \$4,864,221. As of June 30, 2013, \$851,972 (\$205,499 in the current year) has been paid on the loans resulting in a net balance of \$4,012,299 at June 30, 2013.

### 5. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of June 30, 2013:

|                                   | Interest Rate | Date of Maturity | Outstanding Principal      |
|-----------------------------------|---------------|------------------|----------------------------|
| General Obligation Bonds          |               |                  |                            |
| 2009 Limited tax bonds            | 3.0 - 4.3%    | 12/1/2028        | \$ 3,345,000               |
| 2010 Limited tax bonds (hangar)   | 2.0 - 4.75%   | 6/1/2030         | 3,065,000                  |
| Revenue Bonds                     |               |                  |                            |
| 1997 Development refunding        | 5.0 - 5.25%   | 5/1/2016         | 2,070,000                  |
| Economic Development Loan Payable |               |                  |                            |
| 2002 Loan                         | 6.0%          | 12/31/2016       | <u>329,228</u>             |
|                                   |               |                  | <u><u>\$ 8,809,228</u></u> |

All debt is related to infrastructure or other capital assets for which the Authority does not hold title or ownership rights.

Annual debt service requirements to maturity for the Authority's debt are as follows:

|           | Principal                  | Interest                   |
|-----------|----------------------------|----------------------------|
| 2014      | \$ 1,207,172               | \$ 361,832                 |
| 2015      | 1,207,521                  | 307,407                    |
| 2016      | 1,013,198                  | 253,105                    |
| 2017      | 431,337                    | 210,048                    |
| 2018      | 395,000                    | 196,092                    |
| 2019-2023 | 1,790,000                  | 783,777                    |
| 2024-2028 | 2,080,000                  | 406,006                    |
| 2029-2030 | <u>685,000</u>             | <u>35,113</u>              |
|           | <u><u>\$ 8,809,228</u></u> | <u><u>\$ 2,553,380</u></u> |

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2013, was as follows:

|   | Beginning<br>Balance | Additions   | Deductions            | Ending<br>Balance   | Due Within<br>One Year |
|---|----------------------|-------------|-----------------------|---------------------|------------------------|
| General obligation bonds                        | \$ 6,750,000         | \$ -        | \$ (340,000)          | \$ 6,410,000        | \$ 350,000             |
| Revenue bonds                                   | 2,910,000            | -           | (840,000)             | 2,070,000           | 770,000                |
| Loans payable                                   | 411,359              | -           | (82,131)              | 329,228             | 87,172                 |
| Less deferred amounts for<br>issuance discounts | (14,141)             | -           | 796                   | (13,345)            | -                      |
|   | <u>\$ 10,057,218</u> | <u>\$ -</u> | <u>\$ (1,261,335)</u> | <u>\$ 8,795,883</u> | <u>\$ 1,207,172</u>    |

## 6. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Battle Creek bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Battle Creek Tax Increment Finance Authority district to the extent that the current taxable value exceeds the base year taxable value. Renaissance zone property is tax abated property against which property taxes are not currently levied, but in the near future will return or revert to the ad valorem tax rolls. Similarly, industrial and commercial facility tax properties are abated personal property that receive up to a 50% reduction in the millage rate for a stated number of years as approved by the City of Battle Creek (or applicable taxing jurisdiction).

The captured increments in taxable value for the 2012 levy are summarized as follows:

|                            |                             |
|----------------------------|-----------------------------|
| Ad valorem property        | \$113,791,038               |
| IFT*/CFT**/ Other property | <u>121,359,086</u>          |
| Total                      | <u><u>\$235,150,124</u></u> |

\* Industrial Facility Tax

\*\* Commercial Facility Tax

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

### 7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and government-wide statement of net position, reconciling fund balances to net position:

|   |                             |
|---|-----------------------------|
| Fund balances   | \$ 22,978,412               |
| Adjustments:  |                             |
| Capital assets and long-term receivables are not current financial resources and therefore are not reported in the governmental funds:            |                             |
| Property and equipment  | 14,371,386                  |
| Accumulated depreciation  | (818,674)                   |
| Long-term receivables   | 4,012,299                   |
| Bonds payable and other long-term obligations are not due and payable in the current period and therefore not reported in the governmental funds: | (8,795,883)                 |
| Accrued interest payable on bonds is not recorded by governmental funds   | <u>(37,493)</u>             |
| Net position  | <u><u>\$ 31,710,047</u></u> |

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net position:

|   |                            |
|---|----------------------------|
| Net change in fund balances   | \$ 673,561                 |
| Adjustments:  |                            |
| Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. |                            |
| Principal payments on long-term liabilities   | 1,262,132                  |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense  |                            |
| Capital outlay expenditures   | 34,416                     |
| Depreciation expense  | (48,702)                   |
| Governmental funds report loans to other component units of the reporting entity as expenditure; however, in the statement of activities, those costs are eliminated and capitalized as long-term receivables:  |                            |
| Loans made to other component units   | 142                        |
| Amounts repaid on loans   | (205,499)                  |
| The change in accrued interest expense on long-term obligations is not recorded by governmental funds but is reported under interest and fiscal charges for purpose of determining net position   | 6,899                      |
| Change in net position  | <u><u>\$ 1,722,949</u></u> |

## 8. CONTINGENCIES

The Authority is currently involved in various tax appeals pending before the Michigan Tax Tribunal. The appeals cover various commercial and industrial properties for 2013. Due to the large number of appeals currently before the Tribunal, the time frame for resolution of these matters is unknown at this time. The Authority did settle various appeals after year-end for approximately \$98,000, with a remaining estimated maximum exposure of approximately \$36 million dollars in taxable value. The City is vigorously defending all litigation.

# BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

## Notes to Financial Statements

### 9. RESTATEMENT

The Authority adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the beginning net position of the governmental activities was decreased by \$245,151 to eliminate unamortized bond issuance costs, which are now required to be recognized as an expense in the period incurred.

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## SUPPLEMENTARY INFORMATION

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Continuing Bond Disclosures (Unaudited)

#### 1. State Equalized Value (SEV) and Taxable Value (TV) of Ad Valorem Tax Roll

| Assessed<br>Value as of<br>December 31 | Year of<br>Tax Levy | Fiscal<br>Year Ended<br>June 30 | Ad Valorem SEV |          | Ad Valorem TV  |          |
|--|---------------------|---------------------------------|----------------|----------|----------------|----------|
|  |                     |                                 | Amount         | % Change | Amount         | % Change |
| 2011                                   | 2012                | 2013                            | \$ 143,315,610 | 2.04%    | \$ 142,831,246 | 2.09%    |
| 2010                                   | 2011                | 2012                            | 140,456,959    | -6.35%   | 139,913,722    | -6.26%   |
| 2009                                   | 2010                | 2011                            | 149,976,594    | -3.71%   | 149,264,563    | -3.70%   |
| 2008                                   | 2009                | 2010                            | 155,759,428    | -4.05%   | 154,998,062    | -3.70%   |
| 2007                                   | 2008                | 2009                            | 162,330,340    | -7.95%   | 160,953,906    | -7.89%   |
| 2006                                   | 2007                | 2008                            | 176,342,568    | -0.47%   | 174,739,010    | -0.36%   |
| 2005                                   | 2006                | 2007                            | 177,171,368    | 4.82%    | 175,368,234    | 4.82%    |
| 2004                                   | 2005                | 2006                            | 169,024,580    | -3.19%   | 167,303,773    | -2.90%   |
| 2003                                   | 2004                | 2005                            | 174,592,160    | 4.59%    | 172,303,773    | 4.28%    |
| 2002                                   | 2003                | 2004                            | 166,922,857    | 1.37%    | 165,224,263    | 2.34%    |

#### 2. Taxable Value (TV) of Ad Valorem Tax Roll by Use

| Fiscal<br>Year Ended<br>June 30 | Commercial   | Industrial     | Total          |
|---------------------------------|--------------|----------------|----------------|
| 2013                            | \$16,765,363 | \$ 126,065,883 | \$ 142,831,246 |
| 2012                            | 15,558,198   | 124,355,524    | 139,913,722    |
| 2011                            | 14,226,748   | 135,037,815    | 149,264,563    |
| 2010                            | 8,633,075    | 146,364,987    | 154,998,062    |
| 2009                            | 7,203,220    | 153,750,686    | 160,953,906    |
| 2008                            | 7,434,568    | 167,304,442    | 174,739,010    |
| 2007                            | 8,147,660    | 167,220,574    | 175,368,234    |
| 2006                            | 8,664,241    | 158,458,357    | 167,122,598    |
| 2005                            | 12,682,444   | 159,621,329    | 172,303,773    |
| 2004                            | 8,300,838    | 156,923,425    | 165,224,263    |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Continuing Bond Disclosures (Unaudited)

#### 3. Taxable Value (TV) of Ad Valorem Tax Roll by Class

| Fiscal<br>Year Ended<br>June 30 | Real         | Personal      | Total          |
|---------------------------------|--------------|---------------|----------------|
| 2013                            | \$56,813,866 | \$ 86,017,380 | \$ 142,831,246 |
| 2012                            | 57,040,919   | 82,872,803    | 139,913,722    |
| 2011                            | 61,672,808   | 87,591,755    | 149,264,563    |
| 2010                            | 64,145,081   | 90,852,981    | 154,998,062    |
| 2009                            | 67,056,450   | 93,897,456    | 160,953,906    |
| 2008                            | 66,442,878   | 108,296,132   | 174,739,010    |
| 2007                            | 65,967,408   | 109,400,826   | 175,368,234    |
| 2006                            | 63,045,638   | 104,076,960   | 167,122,598    |
| 2005                            | 61,145,274   | 111,158,499   | 172,303,773    |
| 2004                            | 56,352,265   | 108,871,998   | 165,224,263    |

#### 4. Taxable Value (TV) of the Industrial Facilities Tax Roll by Class

| Fiscal<br>Year Ended<br>June 30 | Real         | Personal       | Total          |
|---------------------------------|--------------|----------------|----------------|
| 2013                            | \$28,196,419 | \$ 115,284,126 | \$ 143,480,545 |
| 2012                            | 26,521,613   | 121,779,255    | 148,300,868    |
| 2011                            | 25,959,973   | 128,444,334    | 154,404,307    |
| 2010                            | 24,162,493   | 145,800,236    | 169,962,729    |
| 2009                            | 22,643,563   | 162,485,937    | 185,129,500    |
| 2008                            | 25,291,868   | 122,587,672    | 147,879,540    |
| 2007                            | 23,161,715   | 110,748,687    | 133,910,402    |
| 2006                            | 23,242,752   | 108,911,603    | 132,154,355    |
| 2005                            | 23,620,554   | 81,772,376     | 105,392,930    |
| 2004                            | 24,235,506   | 78,251,877     | 102,487,383    |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Continuing Bond Disclosures (Unaudited)

#### 5. Property Tax Collections

| Fiscal<br>Year Ended<br>June 30 | Taxes<br>Levied | Collections<br>to March 1 | MBT<br>Reimbursement | Total<br>Collected |
|---------------------------------|-----------------|---------------------------|----------------------|--------------------|
| 2013                            | \$ 5,002,634    | \$ 5,002,634              | \$ 837,365           | \$ 5,839,999       |
| 2012                            | 5,509,155       | 5,509,155                 | 2,604,869            | 8,114,024          |
| 2011                            | 5,622,324       | 5,622,324                 | 3,860,229            | 9,482,553          |
| 2010                            | 6,372,819       | 6,372,819                 | 4,156,853            | 10,529,672         |
| 2009                            | 6,548,404       | 6,546,758                 | 3,452,900            | 9,999,658          |
| 2008                            | 10,760,561      | 10,591,596                | -                    | 10,591,596         |
| 2007                            | 10,369,259      | 10,171,550                | -                    | 10,171,550         |
| 2006                            | 9,998,865       | 9,881,842                 | -                    | 9,881,842          |
| 2005                            | 9,053,251       | 8,809,482                 | -                    | 8,809,482          |
| 2004                            | 8,907,046       | 8,907,046                 | -                    | 8,907,046          |

Note - 2009 levied and collections to March 1 amounts are lower than prior year due to industrial and commercial exemptions per legislative action.

#### 6. Captured Property Tax Rates (per \$1,000 of value)

| Fiscal<br>Year Ended<br>June 30 | City    | B.C. & ISD<br>Schools | County | State<br>Education<br>Tax | Willard<br>Library |
|---------------------------------|---------|-----------------------|--------|---------------------------|--------------------|
| 2013                            | 13.6180 | 20.7327               | 4.0334 | 6.0000                    | -                  |
| 2012                            | 13.6790 | 20.7327               | 4.0334 | 6.0000                    | -                  |
| 2011                            | 13.6790 | 20.7794               | 4.0334 | 6.0000                    | -                  |
| 2010                            | 13.7490 | 20.7794               | 4.0334 | 6.0000                    | -                  |
| 2009                            | 13.7850 | 20.7793               | 4.0334 | 6.0000                    | -                  |
| 2008                            | 13.8900 | 20.7792               | 4.0334 | 6.0000                    | -                  |
| 2007                            | 13.9210 | 20.7792               | 4.0334 | 6.0000                    | -                  |
| 2006                            | 11.2300 | 20.7792               | 4.3080 | 6.0000                    | 2.0000             |
| 2005                            | 10.4530 | 20.0000               | 4.0334 | 6.0000                    | 2.0000             |
| 2004                            | 13.0000 | 20.0000               | 4.0334 | 5.0000                    | -                  |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Continuing Bond Disclosures (Unaudited)

#### 7. Taxable Value of Twenty Largest Ad Valorem Taxpayers (Fiscal Year Ended June 30, 2013)

| Taxpayer                          | Product or Service   | Taxable Value         | % of Taxable Value |
|-----------------------------------|----------------------|-----------------------|--------------------|
| 1 Denso Manufacturing             | Automotive parts     | \$ 33,744,475         | 23.63%             |
| 2 Musashi Auto Parts              | Automotive parts     | 11,999,289            | 8.40%              |
| 3 TRMI Inc.                       | Automotive parts     | 6,679,281             | 4.68%              |
| 4 Toyota Tsusho America, Inc.     | Automotive parts     | 5,099,792             | 3.57%              |
| 5 Denso Air Systems Michigan Inc. | Automotive parts     | 6,825,235             | 4.78%              |
| 6 ASMO Manufacturing              | Automotive parts     | 6,000,982             | 4.20%              |
| 7 Il Stanley Co., Inc.            | Automotive parts     | 5,064,009             | 3.55%              |
| 8 Systex Products Corp.           | Plastic manufacturer | 4,980,631             | 3.49%              |
| 9 Hi-Lex Corp.                    | Automotive parts     | 4,015,369             | 2.81%              |
| 10 EPI Printers, Inc.             | Printing             | 3,867,063             | 2.71%              |
| 11 VIB Inc.                       | Industrial Printing  | 2,229,263             | 1.56%              |
| 12 Union Pump                     | Pump manufacturer    | 1,984,472             | 1.39%              |
| 13 Agracel Inc.                   | Industrial developer | 1,949,591             | 1.36%              |
| 14 Lotte USA Inc.                 | Automotive parts     | 1,921,016             | 1.34%              |
| 15 Johnson Control                | Automotive parts     | 1,779,500             | 1.25%              |
| 16 Marley Precision Inc.          | Automotive parts     | 2,192,057             | 1.53%              |
| 17 Advanced Special Tools, Inc.   | Specialty tools      | 1,887,662             | 1.32%              |
| 18 Clyde Union Inc.               | Automotive parts     | 1,924,578             | 1.35%              |
| 19 Koyo Corp                      | Automotive parts     | 1,255,734             | 0.88%              |
| 20 Prairie Farms Dairy Inc.       | Dairy products       | 1,404,830             | 0.98%              |
|                                   |                      | <u>\$ 106,804,829</u> | <u>74.78%</u>      |

## BATTLE CREEK TAX INCREMENT FINANCE AUTHORITY

### Continuing Bond Disclosures (Unaudited)

#### 8. Taxable Value of Twenty Largest IFT Taxpayers (Fiscal Year Ended June 30, 2013)

| Taxpayer                               | Product or Service        | Taxable Value         | % of Taxable Value |
|--|---------------------------|-----------------------|--------------------|
| 1 Denso Manufacturing Michigan, Inc.   | Automotive parts          | \$ 44,669,329         | 31.13%             |
| 2 Musashi Auto Parts                   | Automotive parts          | 19,491,912            | 13.59%             |
| 3 Il Stanley Company, Inc.             | Automotive parts          | 18,379,512            | 12.81%             |
| 4 TRMI, INC.                           | Electronic switches       | 8,439,527             | 5.88%              |
| 5 Toda America Inc.                    | Automotive parts          | 5,985,410             | 4.17%              |
| 6 Roesler Metal Finishing              | Metal finishing           | 3,392,934             | 2.36%              |
| 7 Prairie Farms Dairy Inc.             | Dairy products            | 3,080,279             | 2.15%              |
| 8 Geislinger Corp.                     | Molded parts              | 3,485,094             | 2.43%              |
| 9 EPI Printers, Inc.                   | Printing                  | 2,444,810             | 1.70%              |
| 10 Yorozu Automotive                   | Automotive parts          | 1,791,577             | 1.25%              |
| 11 Pyper Products                      | Plastic injection molding | 1,469,562             | 1.02%              |
| 12 Roesler Metal Finishing             | Metal finishing           | 1,445,619             | 1.01%              |
| 13 Kellogg Company                     | Breakfast Foods           | 1,197,531             | 0.83%              |
| 14 Systex Products Corp.               | Plastic moldings          | 1,311,823             | 0.91%              |
| 15 Marley Precision Inc.               | Automotive components     | 1,256,099             | 0.88%              |
| 16 Advanced Special Tools Inc.         | Specialty tools           | 927,555               | 0.65%              |
| 17 Advanced Plastic Manufacturing Inc. | Specialty tools           | 778,000               | 0.54%              |
| 18 United Solar Ovonic LLC             | Solar panel manufacturer  | 5,101,188             | 3.56%              |
| 19 Hi-Lex Corp                         | Automotive parts          | 440,512               | 0.31%              |
| 20 Franklin Iron & Metal Co Inc.       | Scrap recycling           | 266,467               | 0.19%              |
|  |                           | <u>\$ 125,354,740</u> | <u>87.37%</u>      |